AM: Just for the record, how many meetings has Google had with ministers in the HMRC in the last year?
PB: I’ve no idea, but –
AM: Many.
PB: let me just pick you up on one point which is that you said the government announced a tax deal. Two points about that. We have a ‘settlement’ with HMRC. The government sets the law, the HMRC enforces it and we follow that. So it’s HMRC that we talk to.
AM: But the government announced it and they called it ‘a great victory.’ That was George Osborne’s phrase.
PB: Well, I think George Osborne responded to stories in the – on the BBC and the Financial Times rather than announcing it.
AM: What is this a tax on? Is this a tax on your profits in the UK?
PB: Well this is the key point, and Kate made this earlier on. Corporation Tax is not on sales or revenues. Corporation tax is on profits and identifying what the profit is in the UK is quite a business, as you mentioned. And that is what the discussions with HMRC have been. So we’ve had a review, an audit over the last six years working out what the activities, what the economic activities in the UK are and then finding the appropriate amount of profit ..
AM: So you can tell me now what your profit was in the UK over the last ten years?
PB: I don’t think I can tell you over the last ten –
AM: that was the period of the agreement, so.
PB: ten years, but I could tell you that –
AM: It’s been estimated at £7.2 billion. Does that sound right?
PB: Well hang, hang on. You’re talking about sales.
AM: I’m talking about profit.
PB: But you’re talking about profit for the overall company based
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AM: Yes, it's what people are normally taxed on.

PB: But let me take you back, because the point is that the corporation tax is levied where the economic activity that generates profits happens and the reality with Google is that the bulk of that economic activity happens in the United States, so we have 17 thousand software engineers in California.

AM: Sure, but you have 800 in the UK.

PB: Oh we do, we do.

AM: You have 2,300 employees in the UK, you have 3 major HQs, you're building a huge new billion pound building at Kings Cross and your average employee salary is £160,000 in the UK.

PB: You can take that with a pinch of salt, Andrew.

AM: Well, that's a lot of people and a lot of money and a lot of real estate in the UK, so this is a substantial permanent business in the UK, which is why a lot of people find it very hard to believe that a £130,000 over ten years is a fair whack.

PB: Sorry, £130 million.

AM: I beg your pardon, over ten years is a fair whack.

PB: Well a couple of points there, Andrew. So a £30 million in additional tax, so that is back tax for the 2005 – 2014 period. For the last reported period, the last 18 months we paid £46.2 million pounds and then an additional £130 million over the period. So of course you're right, we have fantastic teams here in the UK, we have sales and marketing, we have legal and finance people.

AM: And it’s your second biggest global market

PB: It is absolutely. It’s our second biggest global market, so we have great teams who are making a contribution to the overall profits of Google. But identifying what the economic activity, what the added value in the UK is, is a difficult business and that’s what we have been working out with HMRC over the years. And all of the discussion about so called permanent establishments, so it’s not about whether we have a big building, of course we have big buildings, we have three buildings in London. We are, as you say, we’re building a new one. It’s not about whether we are here or
not, it’s whether for tax purposes we have so called permanent establishments.

AM: Now you send your UK taxes to Ireland. Why?
PB: We – the way that it works is that – cast your mind back to when Google first started.
AM: It’s a straight forward question.
PB: No, but let me explain cos I think it’s important to understand the structure of Google. So it’s all very simple when just Google existed in California and people around the world who are buying advertising from Google would contract with Google and the tax would be paid in the United States. Now when we took the business international in the early 2000’s, we then decided to set up our European headquarters in Dublin. For all kinds of reasons, including
AM: 12 and a half percent corporation tax.
PB: corporation tax, yeah. Absolutely. I mean governments put tax incentives in place to attract technology companies to their shores and the British government does, the Dutch government does. It’s a very, very common practice. So when you buy, when anybody buys advertising from Google in Europe they buy it from Dublin. Now Google UK’s relationship in that is slightly different. What Google UK does is that we contract our services to the parent company, to the parent company to Google Inc and to Google Ireland and –
AM: Why?
PB: Well, because we are a subsidiary, if you’re in France or Italy or Germany the Google in those countries are subsidiaries and they sell their services, they contract their services to Google Inc and Google Ireland and that accounts for their revenue. So the revenue for Google UK about a billion pounds in the last ...
AM: Barney Jones, your whistle blower, said that Google UK were closing deal in large quantities in the UK, which means they should have been taxed on them here, not in Ireland.
PB: Yes, we’re talking about the period 2005-2014 which is the period of the HMRC review. Now Barney Jones left Google in
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2006. He was there at a very early stage in the business and the business is very different now. But all of this was looked at in the course of a six year review by HMRC, so the emails that Barney Jones gave to Margaret Hodge, HMRC I understand interviewed Barney Jones, so that was part of the review and has been dealt with in lots of detail.

AM: wouldn’t this be a lot easier to talk about if you let some sunlight in upon this? If you could actually see the basis of what the negotiation was dealt with. I mean I don’t know whether you went to them or the HMRC came to you, how this process started, but we should surely know more about the actual negotiations and how they were conducted.

PB: Well, we obviously operate under the principles of tax confidentiality, but actually if you look at the accounts that were reported last week you can see a little bit of detail on what has been agreed. So the - we have, as I mentioned, a £130 million in terms of - of back tax, so for the last year £46.2 million and broken out of which 13.8 million is under this new mechanism. So George Osborne and the Treasury have been toughening up the rules and that has fed into the process. And I think – to go back to Margaret, she has been campaigning on this for a long time and wants to change the way that we tax things around the world. But it cuts both ways.

AM: Let’s leave that for one second. Is it true that this £130 million tax deal is less money than

PB: Not a deal, a settlement. A settlement with the HMRC.

AM: An agreement, a settlement, a negotiation whatever you call it.

PB: Not a deal with the government. A settlement, not a sweetheart deal. A settlement with HMRC.

AM: Okay. This money is less money than Google spends on chicken for its restaurants for employees. True?

PB: I read that in the course of the week and I must admit I smiled.
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AM: So it’s chicken food, if not chicken feed? Moving on. The money goes from Ireland ultimately to Bermuda and tomorrow you’re announcing a £30 billion tax mountain in Bermuda, so big we can almost see it from here. A massive amount of money.

What proportion of that £30 billion comes from the UK?

PB: Well, what I would say about Bermuda is

AM: I’m sorry, it’s a very straight forward question.

PB: and I don’t know the – I don’t know the answer. I haven’t got the answer to my fingertips. Except I would say that about 10% of global revenues come from the UK.

AM: So about 3 billion probably?

PB: It’s the biggest – it’s the biggest market after the UK.

AM: So there’s probably about 3 billion of British profits sitting in Bermuda, why?

PB: Very, very important to make it clear that the Bermuda arrangement has absolutely no barring in the amount of tax that we pay in the UK. No barring whatsoever.

AM: Can that be so? Can that really be so? If this is £3 billion of British profits sitting in Bermuda on a very, very low or no tax regime, how can that not have some barring upon those people who say that Google is simply not paying a fair share of taxes towards British society?

PB: It doesn’t have a relationship with the taxes that we pay in the UK. This is a relationship with the United States, so as you know, the United States has a very, very high corporate tax rate and the Bermuda structure is there because of the way that America deals with its taxation of global companies, and it leads to a very high incentive to keep profits returning to America.

AM: so this is all about avoiding tax? We both understand that. That is the purpose of it. What do you say to all of those smaller companies, their employees or indeed their bosses who are watching this programme and say, I can’t – this is the very day that people have to finalise their tax returns, have to send in the
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paperwork. I can’t go to HMRC and negotiate and discuss my tax affairs. I can’t get a 3% deal, it’s really unfair that Google can.

PB: Well what I would say is that in the UK we pay corporation tax at 20%. There’s no sweetheart deal. It is absolutely the same corporation tax rate as everybody else, 20% on the activities that go on.

AM: That’s the trouble, of what?

PB: Yes, but you see you keep coming back to this point about sales. We are taxed as corporation tax dictates on the activities, the economic activities of Google UK. So we pay corporation tax in the UK at 20% and actually globally our corporation – sorry I beg your pardon – our effective tax rate over the last five years or so round about 20% which is very close to the UK rate and very close to the OECD average.

AM: Google’s great and very well-known slogan was ‘don’t do – don’t be evil.’ Do you think you’ve lived up to it?

PB: I think we do absolutely in everything that we do across the business we always try to do the right thing. The reality of –

AM: Does this really feel like the right thing to you?

PB: the reality of tax matters if that governments put the laws in place, HMRC enforces those and we follow the laws. And if the laws change, and Margaret has made a very good case for why the laws should change, and the OECD process is in the process of trying to figure out new ways of doing tax internationally, if the laws change of course we would follow.

AM: One final question. This has been terribly damaging for Google reputationally and so on, would you like to see a much simpler, more transparent system or taxing companies in Britain and in other places?

PB: We would and we’ve spoken about this in the past. We think that the international tax system which has been around for long time, since the 1920s, could do with reform and we would like to
see more simplicity and more clarity, not least because we would
like to be seen

AM: Not to be here.

PB: to be paying, to be paying the right amount and being seen to
be paying the right amount.

ENDS